

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Petition for Forbearance From)	
The Current Pricing Rules for)	WC Docket No. 03-157
The Unbundled Network Element)	
Platform)	
)	
)	

COMMENTS OF SBC COMMUNICATIONS INC.

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TABLE OF CONTENTS

	Page
I. Introduction and Summary	1
II. The Commission Should Forbear From Applying its UNE Pricing Rules to UNE-P	2
A. Because There is No Principled Basis for Applying UNE Pricing Rules Rather than Resale Pricing Rules to UNE-P, Forbearance is Necessary to Ensure that the Commission's UNE and Resale Charges, Practices and Classifications are Just and Reasonable And not Unjustly and Unreasonably Discriminatory.....	3
B. The Public Interest is Harmed by the Economic Effects Caused by Application of the Commission's UNE Pricing Rules to UNE-P.....	7
C. Forbearance will Benefit Consumers.....	13
III. Conclusion	15

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I. INTRODUCTION AND SUMMARY

The Commission has indicated informally that it intends to initiate a proceeding to reform its TELRIC pricing rules.¹ Such reform is urgently needed. The Commission's TELRIC pricing rules are fundamentally flawed and have produced UNE and interconnection rates that have undermined competition and retarded the promotion of facilities investment. SBC urges the Commission to initiate and complete a TELRIC reform proceeding as soon as possible.

Even as the Commission undertakes TELRIC reform, however, there are additional steps it should take to promote investment and competition. Specifically, and as outlined in Verizon's Petition and the Joint Petition filed by SBC, BellSouth and Qwest shortly thereafter, the

¹ See, e.g., *Maier Highlights Key FCC Action Aside from "Triennial Review,"* Telecommunications Reports, July 28, 2003 ("One of the 'very significant' pricing proceedings the FCC will soon be undertaking will be a review of the total-element long-run incremental cost (TELRIC) pricing methodology. A NPRM will be released shortly seeking feedback on a very broad set of issues, he said."); *Martin Welcomes Upcoming Review of TELRIC Standard,* Telecommunications Reports, July 1, 2003 ("The Commission has been talking about and the bureau has been working on potentially initiating a TELRIC proceeding that would ask some questions about the implementation of our current TELRIC methodology," Commissioner Martin told *TR* at the National Cable & Telecommunications Association. 'There is talk of it coming up soon, sometime in the next few months. I think it will be sooner rather than later.'")

Commission should forbear from applying its pricing rule that permits UNE-P carriers to collect access charges from long distance carriers, and the Commission should forbear from applying its TELRIC pricing rules to UNE-P. Both of these pricing rules derive from the fiction that UNE-P is different than resale. Forbearance is an appropriate vehicle for the Commission to end that fiction once and for all.

Forbearing from applying the Commission's UNE pricing rules to UNE-P would ameliorate the pernicious economic aspects of UNE-P. It would not, however, remedy the fundamental flaws in the Commission's TELRIC methodology itself. Until the Commission does so, market distortions will continue to occur as a result of inaccurate wholesale input pricing for UNEs and interconnection. Accordingly, the Commission must not delay reform of its UNE and interconnection pricing rules while it carries out its statutory forbearance mandate in this proceeding.

II. THE COMMISSION SHOULD FORBEAR FROM APPLYING ITS UNE PRICING RULES TO UNE-P

Section 10 of the Act requires the Commission to forbear from applying any provision of the Act or the Commission's rules, as long as the Commission determines that:

- enforcement of the provision is not necessary to ensure that the charges, practices, classifications, or regulations of a telecommunications carrier or telecommunications service are just and reasonable and are not unjustly or unreasonably discriminatory;
- enforcement of the provision is not necessary for the protection of consumers; and
- forbearance from applying the provision is in the public interest.²

Each of these prongs is satisfied with respect to forbearance from application of the Commission's UNE pricing rules—both its rule concerning access charges and its TELRIC pricing rules—to UNE-P.³

² 47 U.S.C. §§ 160(a).

A. Because There is No Principled Basis for Applying UNE Pricing Rules Rather than Resale Pricing Rules to UNE-P, Forbearance is Necessary to Ensure that the Commission's UNE and Resale Charges, Practices and Classifications are Just and Reasonable and not Unjustly and Unreasonably Discriminatory.

UNE-P is a Commission-created construct intended to facilitate market entry by CLECs. More specifically, it was a way of enabling CLECs to obtain the functional equivalent of resale at a wholesale cost much lower than the statutorily prescribed resale cost standard. The fact is, however, that there is no difference between resale and UNE-P. In a comprehensive review in the *Triennial Review* proceeding of service offerings by UNE-P carriers, Verizon demonstrated to the Commission that there are no features offered by UNE-P carriers that are unavailable through resale.⁴ Verizon demonstrated that the service offerings of UNE-P carriers are nothing more than “billing packages and ‘enhanced service’ offerings, which can technically be provided using resold service.”⁵ Verizon also was unable to identify a single UNE-P carrier that “had implemented a customized network design that provides any ‘innovative’ offerings.”⁶ In short, Verizon demonstrated to the Commission that “there are no unique technical characteristics of the UNE-P that enable CLECs to provide innovative services and options to consumers that cannot be provide via other means. Including resale and the use of a CLEC’s own switch.”⁷

³ As discussed below, the Act does not require UNE-P. Accordingly, §10(d) of the Act’s forbearance standards is inapplicable.

⁴ *Letter from W. Scott Randolph, Director – Regulatory Affairs, Verizon, to Marlene H. Dortch, Secretary, Federal Communications Commission*, CC Docket No. 01-338 (Nov. 7, 2002).

⁵ *Id.* at 3.

⁶ *Id.* at 4.

⁷ *Id.*

Similarly, SBC is not aware of any service offerings by any UNE-P carriers in SBC territory that are not available through resale. All of the lines provisioned today by SBC as UNE-P could be supported by resale with no loss of functionality, including support for CLEC or third party voice mail services and complementary network services, CLEC or third party operator services and directory assistance, and AIN-based features and services. It is particularly telling that during the course of over a year, in thousands of pages of comments in the Commission's *Triennial Review* proceeding, no UNE-P carrier identified a single feature of UNE-P that cannot be obtained through resale. The reason is simple: there is no functional difference between UNE-P and resale.

The lack of any functional difference between UNE-P and resale is particularly evident with respect to access charges. The Commission's *Local Competition Order* does not specifically address the question of whether a CLEC who provides local service by purchasing a pre-assembled network configuration from the incumbent is entitled to collect access charges from long distance carriers. Rather, the Commission's rules provide that "a telecommunications carrier purchasing access to an unbundled network element may use such network element to provide exchange access to itself in order to provide interexchange services to subscribers."⁸ In contrast, the Commission determined that its access rules would remain in effect "where incumbent LECs retain local customers and continue to offer exchange access services to interexchange carriers who do not purchase unbundled elements, and also where new entrants resell local service."⁹ Nonetheless, UNE-P carriers have relied upon the fiction that UNE-P is

⁸ 47 C.F.R. § 51.309.

⁹ See *Local Competition Order* ¶ 358. The Commission's rules thus provide that "[w]hen an incumbent LEC provides telephone exchange service to a requesting carrier at wholesale rates for resale, the incumbent LEC shall continue to assess the interstate access charges provided in part 69 of this chapter, other than the end used common line charge, upon interexchange carriers that use the incumbent LEC's

not resale to claim a usufruct under the Commission's Rule 51.309 to collect access charges from long distance carriers.

The implicit rationale for the distinction in the Commission's rules with respect to access charges for UNEs vs. resale is that purchasers of UNEs "provide" access service to long distance carriers and thus should be able to collect access charges from them.¹⁰ That rationale, however, is just as inapplicable to UNE-P as it is to resale. UNE-P carriers no more provide access services for the origination or termination of long distance traffic than do resellers. It is the underlying facilities owner and operator that "provides" access to long distance carriers. The only access function performed and service provided by the UNE-P carrier is the rendering of a bill to the long distance carrier for access charges—based on call information generated, collected, and produced by the incumbent.

Indeed, a UNE-P consultant—whose bread and butter is the creation of UNE-P businesses for other carriers—makes clear that the access charge revenues available to a UNE-P provider are not the result of any access functions actually performed by the provider:

A UNE-P CLEC utilizing ADT's services only needs to be able to operate their own sales organization, and provide their own customer services, and even some of these services can be outsourced!¹¹

At bottom, UNE-P is simply turnkey resale, at another name and another price, and it is unjust and unreasonable to continue to maintain that UNE-P is functionally different than resale. If the Commission continues to allow CLECs to purchase UNE-P as a pre-assembled end-to-end network configuration from incumbent carriers, it should forbear from applying 47 C.F.R. §

facilities to provide interstate or international telecommunications services to the interexchange carriers' subscribers." 47 C.F.R. § 51.517(b).

¹⁰ See *Local Competition Order* ¶¶ 357-364

¹¹ <http://a-adt.com/>.

51.309 to UNE-P carriers and it should forbear from applying its TELRIC pricing rules to UNE-P.

The Commission clearly has the authority to do so. UNE-P is neither required by the Act nor even defined in the Commission's rules.¹² The Act contemplates three modes of competitive entry: facilities-based provision of service, UNEs, and resale. Corresponding to these three modes, the Act places upon incumbents three primary obligations: the obligation to interconnect with carriers who provide services using their own facilities (interconnection), the obligation to lease to competitors certain discrete components of the incumbent's network (UNEs), and the duty to provide wholesale services for resale by competitors (resale). Although the Act also requires incumbents to provide UNEs in a manner that allows competitors to combine them to provide telecommunications services, it does not require incumbents to provide pre-assembled UNE combinations to competitors.

The Commission, however, in its *Local Competition Order* decreed that incumbents may not separate UNEs that are already combined in the incumbent's network, and that an incumbent must perform the functions necessary to combine UNEs that are not ordinarily combined in the incumbent's network.¹³ The obligation of incumbents to provide a fully assembled "platform" of facilities (UNE-P) proceeded from this suite of combination rules created by the Commission

¹² Chairman Powell has made clear that UNE-P is not "in the statute. It was sort of a creative combination of the Commission." Powell Defends Stance on Telecom Competition, *Communications Daily* (May 22, 2001); see also *Competition Issues in the Telecommunications Industry*, Hearings before the Senate Comm. on Commerce, Science, and Transportation, 108th Cong. (2003) (Written statement of Michael K. Powell, Chairman, FCC) ("UNE-P is not a network element, nor does the statute provide for it as a complete entry vehicle. UNE-P is a consequence of previous regulatory decisions . . .").

¹³ 47 C.F.R., § 315.

along with the Commission's misreading of the Act's "necessary and impair" unbundling standard.¹⁴

Because UNE-P is a creation of the Commission, and not the Act itself, the Commission has discretion to determine what pricing rules should apply to UNE-P, including whether a different set of pricing rules should apply to discrete UNEs and UNE-P. The discretion to create UNE-P necessarily provides the Commission with the discretion to determine how it should be priced. Forbearance is thus an appropriate vehicle for the Commission to determine that purchase of a pre-assembled end-to-end platform of elements in the incumbent's network is functionally no different than resale and to forbear from applying its TELRIC and access pricing rules to UNE-P.

B. The Public Interest is Harmed By the Economic Effects Caused by Application of the Commission's UNE Pricing Rules to UNE-P

The growth in UNE-P throughout the country and in SBC's territory in the last several years has been dramatic. Nationally, UNE-P grew from 6% of CLEC lines in 1999 to 35% of CLEC lines by the end of June 2002.¹⁵ By the end of 2002, there were 10 million UNE-P lines throughout the country,¹⁶ nearly half of which were in SBC's territory. From second quarter 2002 through second quarter 2003, the number of UNE-P lines in SBC's territory increased 80%.

¹⁴ Although the Supreme Court upheld the Commission's discretion to embrace this "all elements" fiction, *Iowa Utils. Bd. v. FCC*, 525 U.S. 366, 392-93 (1999), it did not hold that the Act required the provision of UNE-P, and it specifically did not hold that UNE-P must conform to the Commission's pricing rules. The Court thus said nothing to foreclose the Commission from forbearing from application of any of its UNE pricing rules to UNE-P.

¹⁵ See http://www.pacecoalition.org/une-p_report_1_2003.pdf

¹⁶ *Id.*

Over the same period, the number of CLEC switch-based lines grew only 12%.¹⁷ UNE-P lines now account for 42% of all CLEC lines in SBC's territory.

This rise in UNE-P is not the product of increased innovation or better customer service by CLECs. Rather, it is the direct result of the "ratcheting down" of UNE-P rates—facilitated by the application of the Commission's TELRIC pricing rules to UNE-P—in order to promote incumbent line loss and thus the illusion of competition.¹⁸ Several states in SBC territory have dramatically reduced UNE-P rates in the last several years. In the Midwest in particular, Illinois, Indiana, and Wisconsin dramatically slashed the recurring rates for UNE-P in the last two years.¹⁹

In Illinois, the rate for the switch port component for UNE-P was reduced by more than 50%, and usage rates for unbundled transport were reduced more than 60%.²⁰ SBC estimates that the overall monthly recurring UNE-P price in Illinois decreased more than 20% as a result of these rate reductions. Similarly, in Indiana, the rate for the switch port component of UNE-P was reduced by over 44%, the usage rate for the local switching component was eliminated entirely (and thus effectively reduced by 100%), and usage rates for transport were reduced by 16% (for blended transport) and 22% (for shared transport).²¹ SBC estimates that the overall

¹⁷ The number of resold lines during this period actually *decreased* by 49%, indicating a shift from resale to UNE-P, and adding statistical credence to the fact that UNE-P really is resale by another name.

¹⁸ The National Regulatory Research Institute estimates that the national average UNE-P price decreased 17.3% from January 2002 to July 2003. See <http://www.nrri.org/documents/intro0703.pdf>. Of all the individual pricing components of UNE-P, NRRI estimates that "switching costs have shown the biggest decline, dropping 47.9% since January 2002." *Id.* This disproportionate focus on rates for unbundled switching—which is almost never purchased other than as part of UNE-P—evidences a clear intent to ratchet down UNE-P prices.

¹⁹ See Attachment A.

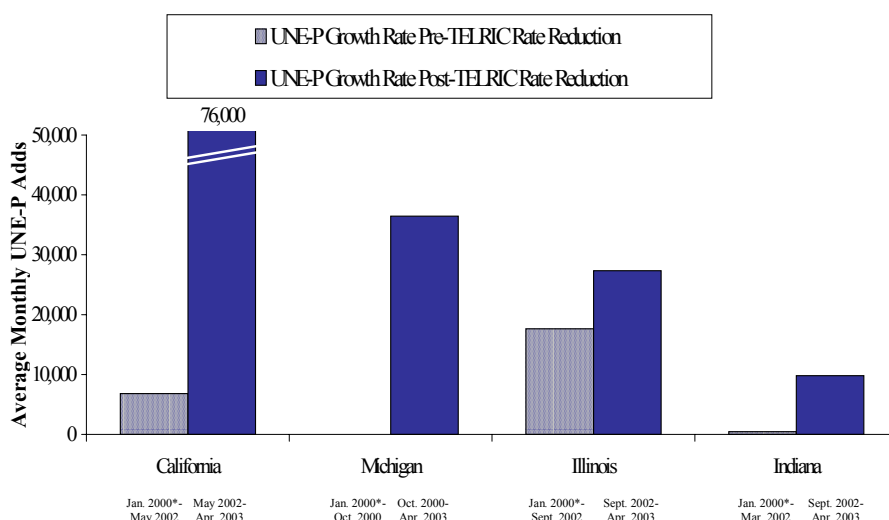
²⁰ *Id.*

²¹ *Id.*

monthly recurring UNE-P price in Indiana decreased 24% as a result of these rate reductions. Most recently, in July of this year, Wisconsin reduced the rates for switch ports by over 23% (for business service) and 54% (for residential services), eliminated the local switching usage rate, and reduced transport rates by more than 61% (for blended transport) and 54% (for common transport).²² SBC estimates that the overall monthly recurring UNE-P price in Wisconsin decreased more than 16% as a result of these rate reductions. The result of these reductions has been a dramatic increase in the use of UNE-P in the Midwest and a simultaneous decrease in the growth of facilities-based competition.²³

FIGURE 1

Use of the UNE Platform Has Risen Rapidly After TELRIC Rates Have Been Reduced



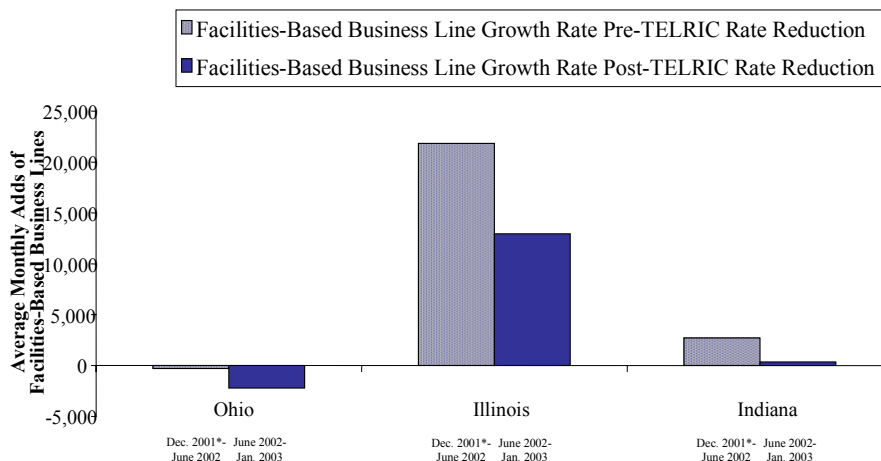
*Start date is based on earliest available data. Middle date is date of TELRIC rate reduction. End date is most currently available data.

²² *Id.*

²³ This mirrors the national trend. In the first half of 2002, UNE-P accounted for more than 85% of the growth in CLEC access lines. http://www.pacecoalition.org/une-p_report_1_2003.pdf

FIGURE 2²⁴

The Growth of Facilities-Based Business Lines in Has Slowed Significantly Following SBC TELRIC Rate Reductions in the Midwest



*Start date is based on earliest available data. Middle date is date closest to TELRIC rate reduction (within three months) for which data are available. End date is most currently available data.

The story in California is substantially the same. The California Public Utilities Commission initially approved UNE rates for SBC in November 1999. The Commission also established a procedure to reassess UNE costs on an annual basis, and a proceeding was initiated in 2001 to reassess the costs underlying the 1999 rates. As that proceeding was underway, AT&T and WorldCom filed a motion for interim relief, and in May 2002, the California Commission reduced SBC's average loop rate by more than 15%, and SBC's switch port and local switching usage rates by nearly 70%.²⁵ Overall, the California Commission reduced the rate for UNE-P—without any cost basis for doing so—by more than 38%. Not coincidentally,

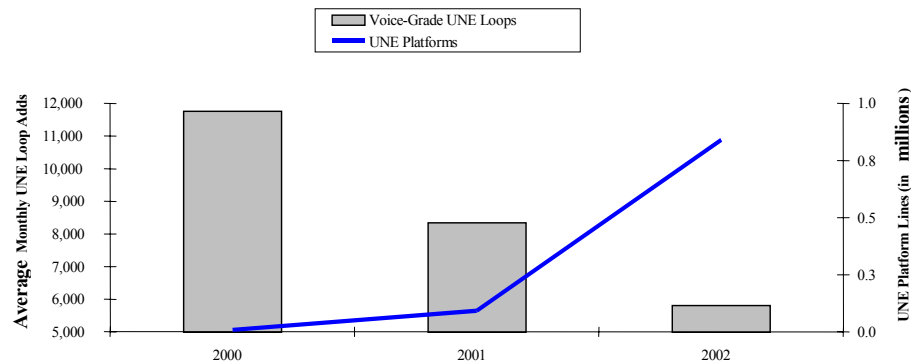
²⁴ Michigan data are not included in this chart because the start date in Figure 2, corresponding to the earliest date for which data are available, is too close to the date of the TELRIC reduction in Michigan (and thus the middle date).

²⁵ See Attachment A.

UNE-P volume in California rose dramatically in 2002.²⁶ As of February 2003, UNE-P volume in California had become almost three times the volume of UNE-loop competition.

FIGURE 3

California CLECS have curtailed the use of UNE loops as the use of UNE-P has risen



Loop adds are based on the averages for 11 months for 2000 and 10 months for 2002

Such statistics would not be cause for alarm if UNE-P were priced in accordance with a rational wholesale business model. Unfortunately, however, the application of the Commission's UNE pricing rules to UNE-P have produced a situation that is far from rational and certainly not economically sustainable.²⁷ It simply is not possible to maintain a viable wholesale business when an incumbent's operating costs average \$26 or more²⁸ but the price charged for wholesale

²⁶ See Figure 1, *supra*.

²⁷ The Verizon Petition thoroughly documents the economic harms caused by the application of UNE pricing rules to UNE-P.

²⁸ Commerce Capital Markets estimates that SBC's average operating costs for the UNE-P are actually greater than \$30.00. See Commerce Capital Markets, *The Status of 271 and UNE-Platform in the Regional Bells' Territories* at 20 (November 8, 2002) ("CCM").

products averages \$15 or less.²⁹ An incumbent cannot “make it up in volume” when it incurs a loss on every wholesale line.³⁰ Indeed, in the case of UNE-P, increased wholesale volumes serve only to magnify the scope of the incumbent’s loss.

It is not possible, moreover, to maintain a viable *retail* business when an incumbent’s wholesale customers are able to arbitrage artificially low wholesale prices to siphon off the incumbent’s highest revenue customers, leaving the incumbent to serve only those customers who generate less revenue than they cost to serve. The application of UNE pricing standards to UNE-P thus places incumbents in a classic lose-lose situation: it loses money on every wholesale line and it loses money on its remaining retail lines.

The application of UNE pricing rules to UNE-P has contributed materially to a massive decline in telecommunications investment.³¹ By allowing UNE-P carriers to arbitrage artificially low wholesale rates in order to siphon off the incumbents’ highest revenue customers, application of UNE pricing standards to UNE-P drains away the financial resources needed by an incumbent to invest in its network. CLECs also have no incentive to invest in their own

²⁹ According to NRRI, the SBC UNE-P rate in California is \$11.39, the average SBC UNE-P rate in the Midwest is \$12.98, and the average rate in the Southwest is \$18.2, for an overall average of \$14.2. See <http://www.nrri.org/documents/intro0703.pdf>; and according to Commerce Capital Markets, the SBC UNE-P rate in California is \$14.48, the average SBC UNE-P rate in the Midwest is \$14.04, and the average rate in the Southwest is \$21.63, for an overall average of \$16.55. See CCM at 20 (The Commerce Capital Markets estimated average for the Midwest does not account for the recent UNE-P rate reductions in Wisconsin).

³⁰ Studies that purport to demonstrate that incumbents earn positive margins when UNE pricing rules are applied to UNE-P rely on calculations that are premised on omissions of critical cost and revenue data and are thus methodologically flawed. See, e.g., *Wholesale Lies: The Truth about RBOC UNE-P Costs*,” CompTel (May 21, 2003).

³¹ See, e.g., Stephen B. Pociask, *The Effects of Bargain Wholesale Prices on Local Telephone Competition: Does Helping Competitors Help Consumers?* (June 2003) (“As a direct result of low wholesale prices, industry-wide telecommunications investment has fallen 40% over the last two years.”)(“Bargain Wholesale Prices.”)

networks when they can obtain UNE-P so cheaply. The public interest is thus harmed by application of UNE pricing rules to UNE-P.

Forbearance will restore economically sound investment incentives and also promote facilities-based “competition among providers of telecommunications services,” 47 U.S.C. § 160(b), which is the primary goal of the Act and the Commission. As Verizon notes in its Petition, facilities investment will benefit not only telecommunications service providers, but also equipment manufacturers and other segments of the economy associated with telecommunications.³² Forbearance is thus clearly in the public interest.

C. Forbearance will Benefit Consumers

The application of UNE pricing rules to UNE-P is not necessary to protect consumers, and, in fact, forbearance from applying UNE pricing rules to UNE-P will benefit consumers by fostering facilities-based competition. Application of the Commission's UNE pricing rules to UNE-P has stifled investment by both incumbents and competitors and has encouraged only “synthetic competition”³³ for consumers. By necessity, innovation and real customer choice is limited under a paradigm in which competitors depend on the same underlying network facilities as the incumbent.³⁴ As Justice Breyer observed, “[i]t is in the *unshared*, not in the shared, portions of the enterprise that meaningful competition would likely emerge.”³⁵

³² See, e.g., *Bargain Wholesale Prices* at 4 (“According to a number of studies, telecommunications and IT capital investment has been a key factor contributing to the health of the overall economy.”)

³³ *United States Telecom Assoc. v. FCC*, 290 F.3d 415, 424 (D.C. Cir. 2002).

³⁴ See, e.g., Gregory P. Miller and Chris Chapple, fulcrum Global Partners, *Wireline Communications: Regulatory Developments*, at 2 (Aug. 1, 2003)(“ We believe such costs [of maintaining UNE pricing rules for UNE-P] would clearly outweigh the benefits of a \$10 monthly reduction in any given person’s telephone bill and would clearly bring technological development in the telecommunications services field to a screeching halt.”)

³⁵ *Iowa Utils. Bd.* 525 U.S. at 429 (Breyer, J., concurring in part and dissenting in part).

Moreover, any consumer price benefits that accrue by virtue of applying UNE pricing rules to UNE-P are entirely artificial. Such price benefits are facilitated solely by the fiction that UNE-P is different than resale—and thus the application of UNE pricing rules to UNE-P—which in turn has enabled the downward ratcheting of UNE-P prices in order to gin up greater arbitrage potential for UNE-P carriers between wholesale and retail rates. Such artificial subsidies do not genuinely benefit consumers as a whole.

Moreover, any such price advantages accrue only to those few high revenue consumers targeted by UNE-P carriers, and come at the sacrifice of the remaining consumers left to be served by the incumbent. In addition, there is no reason to believe that forbearance will eliminate any consumer price reductions rather than simply trim the whopping profit margins of UNE-P carriers. As Verizon notes, at worst, forbearance will merely mean that UNE-P carriers will have to make the same business decisions as incumbents and serve a range of customers and provide a variety of services in order to recoup their costs. In short,

Therefore, when subsidized CLECs win customers, there is a mere illusion of competition. The competitive veneer cannot hide the fact that industry investment is falling, and that consumers are not benefiting from increased market choice and lower retail prices. From this fact, it can be concluded that subsidized UNE-P rates, while helping CLECs, have been a dismal failure for consumers. Customers will never be better off until public policies encourage more facility competition.³⁶

Consumer protection thus also should compel the Commission from applying UNE pricing rules to UNE-P.

³⁶ *Bargain Wholesale Prices* at 22.

III. CONCLUSION

For the foregoing reasons, SBC requests that the Commission grant Verizon's Petition and forbear from applying UNE pricing rules to UNE-P. Consistent with the Joint Petition, SBC requests that the Commission grant Verizon's Forbearance Petition and, as to all Bell Operating Companies, forbear from applying UNE pricing rules to UNE-P.³⁷

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³⁷ On July 28, 2003, SBC, Qwest Corporation, and BellSouth Telecommunications, Inc. filed a Joint Petition requesting similar forbearance action by the Commission. Because the facts and rationale underlying the Verizon Petition apply with equal force to the Joint Petition, the Commission should apply its forbearance determination on this issue to all Bell Operating Companies.

SBC TELRIC RECURRING RATE REDUCTIONS

California. The recurring and usage sensitive rates for the components which make up SBC California's UNE-P were initially set as a result of the California Public Utility Commission's ("CPUC") Rulemaking (R.) 93-04-003/Investigation (I.) 93-04-002, the Open Access to Bottleneck Services and Establish a Framework for Network Architecture and Development of Dominant Carrier Networks ("OANAD") proceeding, in November 1999. On May 16, 2002, the CPUC issued a decision setting interim rates, including components of UNE-P, in Application 01-02-024, et. al. As a result of these interim rates, the recurring and usage sensitive UNE-P price for SBC California has been reduced by over 38%.¹

California Monthly Recurring UNE Rates			
	November 1999	May 2002	% reduction
2-wire analog loop (Statewide rate)	\$11.70	\$9.93	15.1%
Switching port	\$2.88	\$0.88	\$69.4%
Local switching MOU			
Interoffice originating			
Call Setup	\$0.00594	\$0.001817	69.4%
MOU	\$0.00184	\$0.000563	69.4%
Interoffice terminating			
Call Setup	\$0.00700	\$0.002142	69.4%
MOU	\$0.00187	\$0.000572	69.4%
Intraoffice			
Call Setup	\$0.01399	\$0.004280	69.4%
MOU	\$0.00362	\$0.001108	69.4%
TOTAL UNE-P MONTHLY PRICE			38.9%

¹ Following an appeal of the CPUC's ruling, and a remand of the ruling to the CPUC, the CPUC issued a final ruling on the interim rates on July 10, 2003, retroactive to September 19, 2002. The Commission's final ruling slightly reduced some of the rates even further.

Illinois. The rates in effect in April 1998 were set by the Illinois Commerce Commission (“ICC”) in Docket Nos. 96-0486/0569 Consolidated. SBC Illinois’ shared transport rates were established in October 2000 as a result of the SBC/Ameritech Merger Order. These rates, along with the rates established in 1998, were updated as a result of the Order in Docket 00-0700, on July 16, 2002, reducing unbundled switch port rates and thus UNE-P (the tariff was effective in September 2002). The result of the Order was a decrease in the monthly recurring UNE-P price of over 21%. These rate reductions were applied to rates that were already among the lowest in the nation. In addition, further exacerbating SBC Illinois’ ability to recover its costs associated with UNE-P, the Commission issued an Order in Docket 98-0396 on October 16, 2001, (the tariff was effective in January 2002) which reduced the non-recurring charges (“NRCs”) SBC Illinois applied to UNE-P migrations by 99%, and the NRCs applied to new UNE-P orders by 80%.²

Illinois Monthly Recurring UNE Rates			
	April 1998	September 2002	% reduction
2-wire analog loop			
Zone 1	\$2.59	\$2.59	0.0%
Zone 2	\$7.07	\$7.07	0.0%
Zone 3	\$11.40	\$11.40	0.0%
Switching port	5.01	2.18	56.49%
Local switching MOU	N/A	N/A	N/A
Shared transport (Blended transport)	\$0.001262 ³	\$0.000415	67.12%
Shared transport (Common transport)	\$0.000809 ⁴	\$0.000304	62.42%
TOTAL UNE-P MONTHLY PRICE			21.4%

Indiana. The Indiana Commission (“IURC”) completed its initial TELRIC docket, Cause 40611 in January 2001. Subsequently, the IURC concluded Cause 40611-S1, Phase 1, in March 2002, in which the Commission reduced SBC Indiana’s monthly recurring and usage sensitive UNE-P

² Prior to the Order, SBC Illinois charged NRCs totaling \$107.63 for both UNE-P migrations and new UNE-P. The Order required SBC Illinois to charge only \$1.02 for a UNE-P migration and \$21.23 for a new UNE-P.

³ The blended transport rate was established in Illinois in October 2000.

⁴ The common transport rate was established in Illinois in October 2000.

price by 24%. Similar to Illinois, in that same proceeding, Cause 40611-S1, Phase 1, the IURC reduced the NRCs for both UNE-P migrations and new UNE-P by more than 99%.⁵

Indiana Monthly Recurring UNE Rates			
	October 2001	March 2002	% reduction
2-wire analog loop			
Zone 3	\$8.03	\$8.03	0.0%
Zone 2	\$8.15	\$8.15	0.0%
Zone 1	\$8.99	\$8.99	0.0%
Switching port	\$5.34	\$2.98	44.19%
Local switching MOU	\$0.000879	\$0.00 ⁶	100%
Shared transport (Blended transport)	\$0.000981	\$0.000823	16.11%
Shared transport (Common transport)	\$0.000660	\$0.000513	22.27%
TOTAL UNE-P MONTHLY PRICE			24%

Michigan. SBC Michigan's UNE rates became effective in 1997, as a result of the Michigan Public Service Commission's ("MPSC") Order in Case No. U-11280. The MPSC subsequently issued Orders in Case No. U-11831, which changed the rates applicable to the recurring and usage sensitive components of UNE-P. Since February 1998, the monthly recurring UNE-P price was reduced by over 29%. Also, as a result of Case No. U-11831, SBC Michigan's NRCs for UNE-P migrations were reduced by over 99%, and the NRCs for new UNE-Ps were reduced by over 41%.⁷

Michigan UNE Rates			
	February 1998	October 2000	% reduction
2-wire analog loop			
Zone 1	\$9.43	\$8.47	10.2%

⁵ Prior to the issuance of the Order, SBC Indiana charged \$102.05 for both a UNE-P migration and a new UNE-P order. The Commission's Order ruled that SBC Indiana could only charge \$0.37 for a UNE-P migration, and \$0.41 for a new UNE-P.

⁶ Indiana eliminated the usage-sensitive local switching UNE rate.

⁷ Prior to the Order, SBC Michigan charged \$35.89 for both UNE-P migrations and new UNE-P orders. As a result of Case No U-11831 SBC Michigan now charges \$0.35 for UNE-P POTS migrations, and new UNE-P requests are charged \$20.98.

Zone 2	\$12.02	\$8.73	27.4%
Zone 3	\$14.86	\$12.54	15.6%
Switching port	\$2.27	\$2.53	(11.5%)
Local switching MOU	\$0.003164	\$0.000522	83.5%
TOTAL UNE-P MONTHLY PRICE			29.3%

Wisconsin. The recurring and usage sensitive rates for the components which make up SBC Wisconsin's UNE-P were established in May 1997 as a result of Docket 6720-TI-120. SBC Wisconsin's shared transport rates and its local switching MOU were established in October 2000 as a result of the SBC/Ameritech Merger Order. These rates, along with the rates established in 1997, were updated as a result of the Docket 6720-TI-161 order, which was issued on July 9, 2003, and retroactively effective to May 21, 2002. The result of the Order in that Docket was to reduce the monthly recurring UNE-P price by over 16%. Additionally, the Order in Docket 6720-TI-161 caused the NRCs for UNE-P migrations to be reduced by over 99% for UNE-P migrations with dial tone and 90% for UNE-P migrations without dial tone. The NRCs applicable to new UNE-P requests were reduced by more than 67% due to the Order in Docket 6720-TI-161.⁸

Wisconsin UNE Rates			
	March 1997	July 2003	% reduction
2-wire analog loop			
Zone 1	\$10.90	\$9.51	12.75%
Zone 2	\$10.90	\$10.87	0.31%
Zone 3	\$10.90	\$15.25	(39.87)%
Switching port			
Bus	\$3.71	\$2.83	23.59%
Res	\$6.25	\$2.83	54.65%
Local switching MOU	\$0.001319 ⁹	\$0.00	100%
Shared transport (Blended transport)	\$0.001662 ¹⁰	\$0.000646	61.14%
Shared transport	\$0.001072 ¹¹	\$0.000485	54.76%

⁸ Prior to the issuance of the Order in Docket 6720-TI-161, SBC Wisconsin charged \$128.53 for both UNE-P migrations and new UNE-P orders. As a result of the Order, SBC now charges \$0.06 for UNE-P migrations where dial tone is present, and \$12.01 when there is no dial tone. When a CLEC orders a new UNE-P, it will now be charged an NRC of \$41.98.

⁹ The usage sensitive local switching rate was established in Wisconsin in October 2000.

¹⁰ The blended transport rate was established in Wisconsin in October 2000.

(Common transport)			
TOTAL UNE-P MONTHLY PRICE			16.2%

¹¹ The common transport rate was established in Wisconsin in October 2000.

CERTIFICATE OF SERVICE

I, Loretia Hill, do hereby certify that a copy of **Comments of SBC Communications Inc.** has been served on the parties below via first class mail – postage prepaid on this 18th day of August 2003.

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